

Missouri Department of Natural Resources Administrative Policies and Procedures		
Chapter 7 Financial Management/Purchasing		
Policy: Financial Reporting and Cost Accounting Policy	Effective date July 1, 2008	Revised
Number: 7.10		

External financial reporting, stakeholder and citizen centric information, performance-based budgeting, and internal decision making require standardized and consistent cost accounting for the department that is accurate, objective, and timely.

REFERENCES

Financial Accounting Standards Board (FASB): Authoritative body that sets the accounting and financial reporting standard for business enterprises and non-profit organizations.

Generally Accepted Accounting Principles (GAAP): The body of accounting and financial reporting standards, conventions, and practices that have authoritative support from standards-setting boards such as the GASB and the FASB.

Government Accounting Standards Board (GASB): Authoritative body that sets the accounting and financial reporting standard for state and local governments.

Governmental Accounting, Auditing, and Financial Reporting (GAAFR)

Related DNR policies

Purchasing 7.06

Payments 7.07

Grants and Other Funding Agreements 7.08

DNR Awarded Subgrants and Other Financial Assistance 7.09

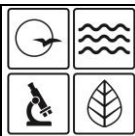
Related DNR resources

DNR Chart of Accounts and Budget Control SAM II Training Manual

DNR Purchasing SAM II Training Manual

DNR Accounts Payable Disbursements SAM II Training Manual

DNR Revenue Accounting SAM II Training Manual



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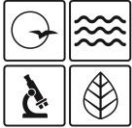
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DEFINITIONS

Chart of Accounts: The complete listing of account titles, classifications and coding structures used by the department to ensure proper recording of financial data. The chart of accounts is established in the statewide accounting system and includes classification codes and structures used by all state agencies as well as codes unique to the reporting needs of the department.

Cost Accounting: Provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry out an activity or operation or to complete a unit of work or a specific job. Accounting system codes established to capture and track full cost of providing service efforts and accomplishments. Cost codes are used across organizational boundaries for reporting expenditures and revenues. The following codes are unique to each department:

- Activity code – describes specific services provided or tasks performed to accomplish strategic objectives. The department requires an activity code on personal service expenditures with the exception of the Division of State Parks. An activity code is not required on E&E expenditures due to excessive workload burden. However, when the expenditure amount is material, would significantly skew the allocation and is easily identifiable, an activity code should be included on the E&E payment. DNR's current listing of activity codes, roll-up and definitions can be found at: <http://n-nr1ntra.ads.state.mo.us/das/accounting/chart-of-accounts/default.htm>
- Function code – is used to track individual sub-accounts of money within a fund and to provide information on the purpose or objective of revenues or expenditures with regard to the department's major services or regulatory responsibilities or strategic objectives. To enable the department to consistently report financial data, the function code is required for all revenue and expenditure (PS, E&E, CI, and PSD) transaction. DNR's current listing of function codes, roll-up and definitions can be found at: <http://n-nr1ntra.ads.state.mo.us/das/accounting/chart-of-accounts/default.htm>
- Job code – identifies a specific site location where tasks are performed. (e.g. Missouri county codes; environmental emergency response locations; federal facility clean-up sites, etc.)
- Organization code – is an operational entity within the department that is recognized and defined by department management. Organization codes represent a breakdown of the department and are recorded on all expenditure and revenue transactions. The current

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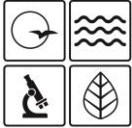
and prior year's DNR organization structures can be found at: <http://n-nr1ntra.ads.state.mo.us/das/accounting/chart-of-accounts/default.htm>

- **Project code** – defines multiple levels of information, details and provides budget control at the project, sub-project, and phase levels. The project code is used to accumulate related data that is not site specific. (e.g. grants/loans to communities where the project is the specific type of grant/loan; the sub-project is the community that received the grant/loan; and the phase is a stage in the project life cycle or the type of the loan.)
- **Reporting Category code** – captures data specific to grants and other funding agreements using the Federal Aid Management Sub-System. This includes revenues, Federal Fund (0140) expenditures and match expenditures. A reporting category code will be assigned to each budget category line specified in an award document. The reporting category code is necessary to capture and report all grant information to the federal or other awarding agencies. Without the reporting category code, the department cannot be assured of capturing and reporting all grant information to the federal or other awarding agencies.
- **Sub-Organization code** – is a sub-operational entity within an organization. Each organization can be assigned one or more sub-organization codes. Sub-organization codes can also be used to identify sections/units within an organization. Budgets cannot be established at the sub-organization level although accounting transactions can be recorded at the sub-organization level. DNR uses sub-organization codes to identify indirect costs and specific costs associated with Boards & Commissions [E&E costs specifically related to Commission Members Expenses (per diem, meals, travel) and meeting expenses (room rentals and provided meals/food)].

Cost Recovery: All moneys recovered from others for costs incurred by the department or to be incurred by the department as provided by statute or legislation that has not been previously agreed to by both parties involved.

Cost Reimbursement: All money received from other governments/entities for reimbursement of costs incurred by the department based on previous agreement by both parties involved.

Financial Reporting: Assists in fulfilling the department's duty to be publicly accountable and enables users to assess that accountability. Financial reporting assists users in evaluating the department's operating results for the year and assists users in

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assessing the level of services that can be provided by the department and the department's ability to meet obligations as they become due. Financial reporting includes internal reporting, special purpose external reporting and general purpose external reporting.

Financial Reports: Presentations of financial data in formats other than formal financial statements. This includes data pertaining to revenues, expenditures, fund balances, grants, fixed assets, FTE, time accounting, budget, and allocations.

Financial Statements: Formal written presentations of financial data that show the financial position and the results of financial operations of a fund, a group of accounts or an entire governmental reporting entity or component unit for a particular accounting period. Financial statements must follow GASB include government-wide, governmental fund, proprietary fund and fiduciary fund financial statements.

Fiscal Accountability: Responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year).

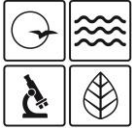
Fringe Costs: Are the costs of benefits of employment that are paid by the department on behalf of the employee. These costs include the cost of health insurance, retirement benefits, Social Security, Medicare and deferred compensation.

Fringe Rate: A rate applied to estimated personal service costs to calculate estimated fringe costs for fiscal planning purposes. The current fringe rate can be found at: <http://n-nr1ntra.ads.state.mo.us/das/rates-current.htm>

Cost: The total cost of providing a service or providing a good; the sum of both direct costs and indirect costs.

Indirect Cost Rate: A device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio of indirect costs to the direct cost base. The current indirect cost rates can be found at: <http://n-nr1ntra.ads.state.mo.us/das/rates-current.htm>

Leave Allocation: A systematic allocation of the estimated cost of annual leave and sick leave accrued.

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Leave Rate: Used to allocate leave costs on an equitable basis to the job, project or grant. The rate is calculated by the Division of Administrative Support (DAS)/Accounting Program (AP). The rate is used by the Leave Allocation program (defined above).

Operational Accountability: Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively using all resources available for that purpose and whether they can continue to meet their objectives for the foreseeable future.

GENERAL PROVISIONS

The department must have the ability to provide fair, reliable and timely financial reporting for stakeholders, citizens and department management, to determine the full cost of recoverable expenditures, and to develop performance-based budgeting/reporting. In order to do this, the department has set standards to determine where and how required financial data is captured and verified. Similar costs will be handled and reported consistently throughout the department.

A department-wide chart of accounts has been developed and must be maintained and applied to financial transactions. A hierarchy for code needs has been established to ensure the most relevant data receives priority coding throughout the department. The cost/benefit of data captured is an underlying and consistent theme to ensure data capture is not overly burdensome on department/division/program resources.

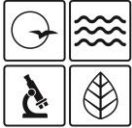
To maintain departmental consistency in financial reporting, the chart of accounts is maintained as a department-wide coding structure with uniform definitions and applications. Through the definitions and applications, the department captures as many costs toward major strategic objectives or activities as possible. This means ambiguous codes are not allowed.

The chart of accounts is reviewed and updated each spring in preparation for the new fiscal year. This review will include all codes required to adequately and consistently classify revenues and expenditures and capture the full costs of the department to include organizational, functional, activity-based, and grant/project/sub-grants requirements. Although the primary chart of accounts code set up will be done in the spring, codes can be set up during the fiscal year, as new reporting needs are identified.

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The SAM II system requires use of specific Chart of Account codes. These are: agency, organization, fund, appropriation, object, revenue source (for revenue transactions), and balance sheet account (for fund level and fixed asset transactions). The department has additional required codes for accurate, consistent, and timely financial reporting:

- *Grant Reporting*
The Federal Aid Management Sub-system allows the department to capture complete, consistent financial data for grant reporting. Reporting category codes are set up at the beginning of each grant. The reporting categories for each grant roll-up to a federal aid number. Grant reports can be generated using the federal aid number and can show more detailed data by reporting category.
- *Activity Reporting*
The activity code allows the department to capture complete, consistent data on tasks performed to accomplish strategic objectives in a timely manner. Activity codes are grouped with similar activity codes and roll to an activity class. Expenditures charged to the Program Operations activity code and those posting without an activity code should be allocated to the major activities of the program. These allocations should be based on personal service dollars charged to the more specific activity codes (e.g. Inspection, Permitting, etc.) unless a more appropriate allocation methodology (e.g. number of permits, number of inspections) has been agreed upon with the AP. Depending on the level of detail needed, activity based reporting may be at the activity class or activity code level.
- *Function Reporting*
The department uses function codes as a mechanism for reporting revenue and expenditures by work efforts and/or separate sub-accounts of money within a fund. The department utilizes the following roll-up structure for financial reporting:
 - Function Group: Each function group consists of similar function types. Function group is used to identify the fundamental areas of the department (e.g. Environment, Energy, State Parks, etc.)
 - Function Type: Each function type consists of similar function categories. Each environmental media (e.g. Drinking Water, Solid Waste, etc.) is identified as a function type.
 - Function Category: Each function category consists of similar function classes. Function category is a more detailed breakdown of the 'media' identified by function type (e.g. Solid Waste, Scrap Tire, etc..)

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- Function Class: Each class consists of similar function codes. Function class provides a further breakdown of function category (e.g. SWM Regulations, SWM Grants, etc.)
- Function Code: Transactions post at the function code level. This is the most detailed level of function based reporting (e.g. SWM District Grants, SWM Project Grants, etc.)

Financial statements will be prepared based on data captured in the statewide accounting system. Data from other financial systems, such as the State Revolving Fund (SRF) accounting system, may be used for financial statements upon approval of the AP. Financial statements that will be used for external purposes will be prepared or reviewed and approved by the AP prior to release.

Financial reports for external use will also be prepared or reviewed and approved by DAS prior to release. The BP, FRP, and AP will coordinate to ensure financial information is accurate and consistent with budget and allocations data/projections. Any financial report submitted to the Office of Administration's Budget and Planning office, House Appropriations committee members or staff, and Senate Appropriations committee members or staff will be prepared or reviewed and approved by BP prior to release. Other financial reports being released externally will be prepared or reviewed and approved by DAS prior to release.

Internal financial reports may be prepared at the division/program level. However, prior to release of any financial data outside the division, the report must be reviewed and approved by the DAS.

Notify the DAS as soon as possible of the need for financial statement preparation or review to allow for adequate staff planning. The source of data and any allocation methodology must be footnoted on the financial report prior to submission to the DAS for review.